University of Regina

Pension Plan for the Academic and Administrative

Employees of the University of Regina

Financial Statements

For the Year Ended December 31, 2010

Provincial Auditor Saskatchewan

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INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Pension Plan for the Academic and Administrative Employees of the University of Regina, which comprise the statement of net assets available for benefits, accrued pension benefits and surplus of the Pension Plan as at December 31, 2010, and the statements of changes in net assets available for benefits and changes in accrued pension benefits for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the net assets available for benefits, accrued pension benefits and surplus of the Pension Plan for the Academic and Administrative Employees of the University of Regina as at December 31, 2010, and the changes in net assets available for benefits and changes in accrued pension benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
July 19, 2011

Bonnie Lysyk, MBA, CA
Provincial Auditor

Pension Plan for the Academic and Administrative Employees of the University of Regina
Statement of Net Assets Available for Benefits, Accrued Pension Benefits and Surplus
As at December 31

	2010	2009
Assets		
Investments:		
Master Trust fund (Note 5)	$ 268,654,643	$ 250,698,599
Receivables:		
Employee contributions - Defined Benefit Plan	116,721	120,444
Employer contributions - Defined Benefit Plan	116,741	117,733
Employee contributions - Defined Contribution Plan	342,660	314,429
Employer contributions - Defined Contribution Plan	338,589	313,105
	914,711	865,711
Total assets	269,569,354	251,564,310
Liabilities		
Accounts payable	1,167,360	991,136
Total liabilities	1,167,360	991,136
Net Assets Available for Benefits (Statement 2)	268,401,994	250,573,174
Accrued Pension Benefits - Defined Contribution Plan (Note 4)	61,167,024	52,225,903
Accrued Pension Benefits - Defined Benefit Plan (Statement 3)	178,526,000	171,448,000
Surplus	$ 28,708,970	$ 26,899,271

Approved by the Board of Governors

Chair, Board of Governors

Vice President (Administration)

The accompanying notes are an integral part of these financial statements

Pension Plan for the Academic and Administrative Employees of the University of Regina
Statement of Changes in Net Assets Available for Benefits
For the Year Ended December 31

	2010	2009
Increase in Assets		
Change in market values of investments:		
Net realized gain on sale	$ 1,925,067	$ 2,635,006
Unrealized gain on investments	18,549,482	30,754,807
	20,474,549	33,389,813
Contributions:		
Employee contributions - Defined Benefit Plan	1,393,177	1,405,231
Employer contributions - Defined Benefit Plan	1,389,219	1,386,380
Employee contributions - Defined Contribution Plan	4,850,275	3,958,884
Employer contributions - Defined Contribution Plan	3,886,464	3,474,564
	11,519,135	10,225,059
Total increase in assets	31,993,684	43,614,872
Decrease in Assets		
Plan expenses (Note 6)	1,284,844	1,168,652
Pension benefits - Defined Benefit Plan	7,858,439	7,889,577
Refunds and transfers - Defined Benefit Plan	1,762,617	3,857,871
Refunds and transfers - Defined Contribution Plan	3,258,964	1,722,399
Total decrease in assets	14,164,864	14,638,499
Net Increase in Assets	17,828,820	28,976,373
Net Assets Available for Benefits, Beginning of Year	250,573,174	221,596,801
Net Assets Available for Benefits, End of Year (to Statement 1)	$ 268,401,994	$ 250,573,174

The accompanying notes are an integral part of these financial statements

Pension Plan for the Academic and Administrative Employees of the University of Regina
Statement of Changes in Accrued Pension Benefits
For the Year Ended December 31

	2010 (Note 7)	2009 (Note 7)
Accrued Pension Benefits, Beginning of Year	$ 171,448,000	$ 163,536,000
Increase in Accrued Pension Benefits:		
Interest on accrued benefits	11,573,000	11,039,000
Benefits accrued	4,464,000	4,746,000
Experience loss	-	3,970,000
Change in assumptions	1,754,000	301,000
	17,791,000	20,056,000
Decrease in Accrued Pension Benefits:		
Benefits payments	9,946,000	12,144,000
Experience gain	767,000	-
	10,713,000	12,144,000
Accrued Pension Benefits, End of Year (to Statement 1)	$ 178,526,000	$ 171,448,000

The accompanying notes are an integral part of these financial statements

1. Summary of Significant Accounting Policies

The financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following accounting policies are considered significant.

a) Investments

Investments are comprised of units in a pooled fund called the University of Regina Master Trust. Additional units are acquired when assets are transferred to the Fund and when distributions are made by the Fund. The Plan can realize changes in the underlying unit values by redeeming units.

Units in the Master Trust fund are recorded at fair market value in the accounts at their net asset value per unit. The net asset value per unit is the market value of the pooled fund's investments divided by the total number of units outstanding in the Fund.

The change in net asset value of the Fund during the year is reflected in the Statement of Changes in Net Assets Available for Benefits as Unrealized gain on investments.

Investment transactions are recorded as of the trade date.

b) Use of estimates

In preparing the financial statements, management uses estimates and assumptions that primarily affect the reported values of assets and liabilities. Significant estimates are used primarily in the determination of the fair value of investments and investment related receivables in the Master Trust. Significant estimates are also used in the determination of accrued pension benefits. Actual results could differ from those estimates, which may impact the results reported in future periods.

2. Authority for the Plan

Section 62(j) of *The University of Regina Act* provides that the Board of Governors may establish a system of pension or retiring allowances for any or all classes of University officials and other employees.

3. Plan Administration

The Academic and Administrative Pension Plan was established June 30, 1965. In December 1974, the Board of Governors of the University of Regina accepted sponsorship of the pension plan for its employees. The Academic and Administrative Benefits Committee is a sub-committee of the Board of Governor's Human Resources Committee and has the responsibility to administer the Plan according to the terms and provisions of the Plan agreement. The University has appointed, through agreements, investment managers to authorize investments, and a trustee to maintain custody of the plan assets and invest the plan assets as authorized by the investment managers.

4. Description of the Plan

The following description of the Pension Plan for the Academic and Administrative Employees of the University of Regina is a summary only. For more information, reference should be made to the Plan document.

a) General

At December 31, 1999, the Plan was a contributory defined benefit final average pension plan for Academic and Administrative employees who held a permanent, probationary or term appointment, working half-time or more. Eligible employees were required to join the Plan as a condition of employment.

Effective January 1, 2000, a DC (Defined Contribution) component was added to the Plan for new members joining the plan on or after this date.
Plan membership is extended to those employees who qualify from Communities of Tomorrow, Petroleum Technology Research Centre, the federated colleges, Campion and Luther, and continues to be extended to the employees of the Mackenzie Art Gallery and Communities of Tomorrow.

Effective July 1, 2011 the DC component assets transitioned from the Master Trust to Sun Life Financial. This transition provides members with the benefit of additional options for how their DC assets can be invested.

b) Retirement Benefits

Defined Benefit Component:

The normal retirement date is the 30th of June coincident with or next following the 65th birthday.

The annual amount of pension is determined as 2% of the Member's highest three-consecutive-year average earnings multiplied by the number of years of credited service. The annual retirement benefit is based on maximum earnings of $124,722 as outlined in the *Income Tax Act* (Canada).

The normal form of pension is a single life pension payable monthly in arrears with a ten year guarantee. Other options are available on an actuarially equivalent basis.

A member who has a spouse at the time of retirement shall be paid in a joint and 60% survivor form unless the member's spouse has signed a waiver under applicable legislation reducing survivor benefits for the spouse.

A member also has the option of transferring funds as described in d) Termination Benefits or to any other prescribed retirement plan that is registered under the *Income Tax Act* (Canada).

Defined Contribution Component:

The normal retirement date is the 30th of June coincident with or next following the 65th birthday.

Upon retirement, the full value of the DC member's account is transferred to a prescribed retirement plan that is registered under the *Income Tax Act* (Canada).

c) Indexing

Eligible retired members in the DB (Defined Benefit) component may be entitled to a yearly formula-based pension increase. The plan provides post retirement indexing to 100% of the increase in the CPI (Consumer Price Index). The pension increase will commence one year after the Member's deemed retirement date.

d) Termination Benefits

A Member is vested and locked-in immediately upon becoming a Member of the Plan.

Under the DB component, upon termination of employment the Member shall receive a transfer to another registered pension plan, a prescribed RSP, or to purchase a deferred pension from an insurance company that is not commutable or any other retirement plan prescribed by the *Income Tax Act* (Canada) an amount equal to the greater of the following:

i) the Member's plus the University's required contributions with interest as at December 31, 1991, with interest to the payment date plus, for service on or after January 1, 1992, two times member required contributions with interest, plus, for periods under the Long-term Disability Plan after December 31, 1991, the Commuted Value of benefits earned during such period of disability, or

ii) the Commuted Value of the monthly retirement benefit.

Under the DC component, upon termination the Member shall receive the market value of the DC account at the date of payment available for transfer to another registered pension plan, or a locked in retirement account, or to purchase an immediate or deferred life annuity, or a combination of these. The value of the DC account is comprised of member and employer contributions along with allocation of investment income. Investment income is defined as investment returns including change in market values less management fees and administration expenses incurred.

e) Death Benefits

i) Prior to Normal Retirement Date

Defined Benefit Component:

Upon death of a member, other than a terminated vested member or a retired member, the Member's spouse or beneficiary shall receive a transfer to another registered pension plan, a prescribed RSP, an Insurance Business to purchase an immediate or deferred pension, paid as a lump-sum cash refund, transferred to a registered retirement savings plan, or a combination of the five, the greater of the following:

A) the Member's plus the University's required contributions with interest as at December 31, 1991, with interest to the payment date plus, for service on or after January 1, 1992, two times member required contributions with interest, plus, for periods under the Long-term Disability Plan after December 31, 1991, the Commuted Value of benefits earned during such period of disability, or

B) the Commuted Value of the monthly retirement benefit.

If the Member does not have a spouse, the beneficiary receives the death benefit as a taxable lump-sum payment.

Defined Contribution Component:

Upon death of a Member and if the Member does not have a spouse, the Member's estate or designated beneficiary will receive a taxable lump sum payment of the full value of the DC account less any applicable withholding taxes.

If the Member has a spouse, the spouse will receive the market value of the DC account which can be transferred to another registered pension plan, a Locked-In Retirement Account, an Insurance Business to purchase an immediate or deferred life annuity, or a combination of the three.

ii) After Retirement

Upon the death of a retired DB member, benefit payments, if any, shall be continued in accordance with the benefit payment option elected by the member at the time of retirement.

f) Member's Contributions and Funding Policy

Defined Benefit Component:

In accordance with the Plan document, the following amounts shall be contributed with respect to each member:

1. 13% of the Member's Contributory Earnings.

At least 50% of such contributions shall be made by the Employer. The balance shall be retained at source from the Member's earnings.

Defined Contribution Component:

In accordance with the Plan document, the following amounts shall be contributed with respect to each member:

1. 6.5% of the Member's Contributory Earnings.

Contributions by the Employer shall be made on an equal basis. The required contributions shall be deducted from the Member's earnings by the Employer.

g) Interest Rate Credited

Defined Benefit Component:

Since December 31, 1995, active member and University contribution balances are credited interest each year such that the total member and University contribution balance with interest is the greater of:

i) the member and University contribution balance at December 31, 2009 credited with the average for the year of the yields of five-year personal fixed term chartered bank deposit rates (CANSIM, Series B-14045); and

ii) the member and University contribution balance at December 31, 2009 credited with the geometric four-year average net rate of return for the fund less 0.5%.

Defined Contribution Component:

Since December 31, 1995, active member and University contribution balances are credited interest each year based on the actual investment performance net of expenses in the year, as approved by the Academic and Administrative Benefits Committee.

h) Members on Disability

Defined Benefit Component:

Periods during which a member is in receipt of disability benefits provided from the Long Term Disability Plan of the University count as pensionable service. Employer and employee contributions continue during periods the employee is in receipt of disability benefits.

Defined Contribution Component:

The Plan continues the employer and employee contributions for periods during which a Member is in receipt of disability benefits from the Long Term Disability Plan of the University.

5. Financial Instruments

The Plan's significant financial instruments consist of accounts receivable, accounts payable, and investments.

Contributions Receivable and Accounts Payable

The contributions receivable and accounts payable are non-interest bearing financial instruments and are due or payable within the next year. Due to this short-term maturity, the fair value of these financial instruments approximates carrying value.

Investments

Effective December 1, 1995, the assets of the University of Regina's Academic and Administrative Employees and the Non-Academic Pension Plans were combined into a pooled fund called the Master Trust to improve investing opportunities. Each plan holds units in the Master Trust rather than holding individual investments. For more information, reference should be made to the Master Trust Agreement.

The total assets of the Master Trust on December 31, 2010 is $ 332,565,990. The Unitholders' Equity at December 31, 2010 is:

Academic & Administrative Employees' Pension Plan	$	268,654,643
Non-Academic Employees' Pension Plan		63,911,347
	$	332,565,990

The investment objectives of the Plan are to ensure there are sufficient assets to meet future pension obligations and to generate sufficient cash flow to meet pension payments. Due to the long-term horizon of the Plan's liabilities, the Master Trust takes a long-term investment perspective.

As a result, the following risks of the Master Trust are also risks of the Plan.

Based on the investment objectives set by the participating pension plans, the Master Trust invests cash flows from the pension plans. The nature of the Master Trust's operations results in a statement of net assets that consists primarily of financial instruments. The risks that arise are market risk, (consisting of interest rate risk, foreign exchange risk and equity price risk), credit risk and liquidity risk.

Significant financial risks are related to the investments. These financial risks are managed by having an investment policy, which is approved by the Board of Governors. The investment policy provides guidelines to the Master Trust's investment managers for the asset mix of the portfolio regarding the quality and quantity of fixed income investments, real estate and equity investments. The asset mix helps to reduce the impact of market value fluctuations by requiring investments in different asset classes and in domestic and foreign markets. Derivatives (such as options, futures, and forward contracts) are allowed within the Master Trust to protect against losses from changes in exchange rates and market indices; and for non-hedging purposes, as a substitute for direct investment. The investment policy prevents the use of derivatives for speculative trading or to create a portfolio with leverage.

a) Market Risk

Market risk represents the potential for loss from changes in the value of financial instruments. Value can be affected by changes in interest rates, foreign exchange rates and equity prices. Market risk primarily impacts the value of investments.

Interest Rate Risk:

Interest rate risk refers to the adverse consequences of interest rate changes on the Master Trust's cash flows, financial position and income. This risk arises from short-term changes in nominal interest rates that cause differences in the timing and amount of cash flows related to the investments. Interest rate risk is managed by investing in fixed income investments (short-term investments, bonds and debentures, mortgages) of various durations. It is estimated that a 100 basis point increase/decrease in interest rates would decrease/increase the value of the fixed income investments by $ 7,200,000 at December 31, 2010, representing 6.07% of the $ 117,926,760 fair value of these investments.

Foreign Exchange:

The Master Trust is subject to changes in the US/Canadian dollar exchange rate for US denominated investments. Also, the Master Trust is exposed to EAFE (Europe, Australasia and Far East) currencies and global currencies (including US, Non-North American and Canadian) through its investment in the pooled Non-North American (NNA) equity fund and pooled global equity fund. Exposure to US equities, Non-North American equities, and global equities is limited to a maximum 16%, 18%, and 12% respectively each of the total of the fair value of the total investment portfolio. At December 31, 2010 the Master Trust's exposure to US equities was 15.5% (2009 – 14.8%) and its exposure to Non-North American equities (including global equities) was 23.7% (2009 – 24.7%).

At December 31, 2010, a 10% appreciation in the Canadian dollar versus US dollar exchange rate would result in approximately a $ 5,200,000 decrease in investments in the Master Trust. A 10% weakening in the Canadian dollar versus EAFE currencies would result in approximately a $ 7,900,000 increase in investments in the Master Trust.

No more than 10% of the fair value of the bond and debentures portfolio shall be invested in bonds of foreign issuers.

Equity Prices:

	Market Value – Master Trust	
	2010	2009
Common Shares and Pooled Funds – Canadian	$ 59,761,218	$ 56,769,752
Pooled Funds – Global	29,876,623	28,660,849
Pooled Funds – NNA	49,017,268	48,813,686
Pooled Funds – US	51,608,475	46,194,520
	$ 190,263,584	$ 180,438,807

The Master Trust is exposed to changes in equity prices in Canadian, US, and EAFE markets. Equities, including equity pooled funds, comprise 57.31%

(2009 – 57.82%) of the fair value of the Master Trust's total investments. Individual stock holdings are diversified by geography, industry type and corporate entity. No one investee or related group of investees represents greater than 10% of the fair value of the Master Trust's total investment portfolio. As well, no one holding represents more than 10% of the voting shares of any corporation. Investments in pooled funds do not exceed 10% of the fair value of that fund.

The following table indicates the approximate change that would be expected to the total investment portfolio based on changes in the Master Trust's benchmark indices as at December 31, 2010:

	10% increase	10% decrease
Canadian Equities	$ 6,000,000	$ (6,000,000)
US Equities	$ 5,200,000	$ (5,200,000)
NNA Equities	$ 4,900,000	$ (4,900,000)
Global Equities	$ 3,000,000	$ (3,000,000)

b) Credit Risk

Credit risk arises from the potential for an investee to fail or for a counterparty (e.g. mortgager) to default on its contractual obligations to the Master Trust. The Master Trust limits the credit risk by dealing with counterparties that are considered to be high quality. The credit ratings used to describe the investments below are based on the Dominion Bond Rating Service and/or the Standard and Poor's Bond Rating Service.

Short-Term Investments

These investments in the Master Trust are comprised of a pooled fund that holds investments mainly in corporate bonds and debentures with effective interest rates of 1.076% to 1.401% (2009 - 0.25% to 0.769%) and maturing within 4 to 101 days (2009 - 4 to 270 days). The investment policies of the participating pension plans state that investments must meet a minimum investment standard of "R-1", as rated by a recognized credit rating service.

Bonds and Debentures

The investment policies of the participating pension plans state that the minimum quality standard for individual bonds and debentures is 'B' as rated by a recognized bond rating agency at the time of purchase, and sets limits to the maximum notational amount of exposure with respect to any one issuer. Bonds rated 'BBB', 'BB' and 'B' may not be purchased if the purchase would raise holdings rated 'BBB' to 'B' inclusive to more than 15% of the fair value of the bond portfolio, with bonds rated below 'BBB' not to exceed 5% of the fair value of the bond portfolio at the time of purchase.

The Master Trust holds the following investments in bonds and debentures:

	2010						2009		
Years to Maturity	Federal	Provincial	Pooled Funds	Total Fair Value	Yield to Maturity at Fair Value	Coupon Rate	Total Fair Value	Yield to Maturity at Fair Value	Coupon Rate
Under 5	$ 3,719,593	-	60,622,561	64,342,154	1.15% - 2.41%	3.00% - 4.05%	$ 63,509,486	0.35%	3.56% - 3.75%
5 - 10	5,422,472	8,492,032	-	13,914,504	3.01% - 4.05%	3.75% - 4.4%	9,603,541	3.61% - 4.25%	3.75% - 4.4%
Over 10	1,668,834	24,580,944	-	26,249,778	3.56% - 5.01%	4.60% - 8.50%	29,630,022	4.07% - 5.29%	4.0% - 8.5%
Market Value	$ 10,810,899	33,072,976	60,622,561	104,506,436			$ 102,743,049		

Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

Credit ratings for bonds are as follows:

	2010		2009	
Credit Rating	Fair Value	Make up of Portfolio (%)	Fair Value	Make up of Portfolio (%)
AAA	$ 15,952,597	15.27%	$ 19,399,701	18.88%
AA	53,812,113	51.49%	46,277,747	45.04%
A	24,422,013	23.37%	28,395,198	27.64%
BBB	8,698,516	8.32%	7,911,654	7.70%
BB	1,060,533	1.01%	541,981	0.53%
B & Below	560,664	0.54%	216,768	0.21%
Total	$ 104,506,436	100.00%	$ 102,743,049	100.00%

Within bond investments there are no direct holdings other than the Government of Canada or a Canadian province. No one holding of a province is over 26.45% of the fair value of the bond portfolio. Securities of the Master Trust may not be loaned except within pooled funds where the pooled fund policy permits securities lending.

Fair Value

The Plan has classified its required fair valued financial instrument holdings using a hierarchy that reflects the significance of the inputs used in determining their measurements.

Under the classification structure, financial instruments recorded at unadjusted quoted prices in active markets for identical assets and liabilities are classified as Level 1. Instruments valued using inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly are classified as Level 2. Instruments valued using inputs that are not based on observable market data are classified as Level 3.

The following table classifies the Plan's required financial instruments within a fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Short-term investments	$5,654,672	-	-	$5,654,672
Bonds and Debentures	-	$104,506,436	-	$104,506,436
Equities	$190,263,584	-	-	$190,263,584
Mortgages	-	$7,765,652	-	$7,765,652
Real estate	-	$23,766,928	-	$23,766,928
Total	$195,918,256	$136,039,016	-	$331,957,272

Real Estate

The Master Trust holds $ 23,766,928 (2009 - $18,968,986) in real estate. This represents 7.16% (2009 – 6.07%) of total investments. The investments in real estate consist of Canadian commercial property.

Mortgages

The investment policies of the participating pension plans state the investments in mortgage can be mortgages secured against Canadian real estate, mortgage-backed securities, or asset-backed securities.

c) Liquidity Risk

Liquidity risk is the risk that the Master Trust is unable to meet its financial obligations as they fall due. Cash resources are managed on a daily basis based on anticipated cash flows.

6. Plan Expenses

	2010		2009
	Budget	Actual	Actual
Actuarial and consulting services	$ 424,000	$ 246,301	$ 225,899
Administration	226,950	174,852	160,952
Investment management	725,000	718,138	654,846
Trustee fees	130,000	145,553	126,955
	$ 1,505,950	$ 1,284,844	$ 1,168,652

7. Accrued Pension Benefits

Aon Consulting Inc., a firm of consulting actuaries, performed an actuarial valuation as at December 31, 2009 and extrapolated it to December 31, 2010. The actuary used the projected benefit method prorated on services and best estimate assumptions approved by the Benefits Committee. Significant long-term assumptions used in the valuation and extrapolation were:

	as at December 31	
	2010	2009
Salary/YMPE increases	3.0%	3.0%
Inflation rate	2.5%	2.5%
Discount rate	6.75%	6.75%
Indexing	2.5%	2.5%

The actual rates may vary significantly from the long-term assumptions used. During the year, the experience gain of $767,000 was due to credited interest on contributions balances different than assumed. The plan also experienced a loss of $1,754,000 due to a change in mortality and seniority, merit and promotion assumptions.

Mortality tables used were the UP 1994 projected to 2022 (2009- UP 1994 projected to 2021).

The Plan Document states that any excess surplus shall be used to reduce the contributions of the University and members equally, or used for the benefit of the members and their beneficiaries. Any use of surplus to reduce contributions of the University must be negotiated with the members as part of the collective agreements. Any use of surplus would be for the benefit of the members and their beneficiaries.

Upon termination or death of a member, the member, beneficiary or spouse shall receive a transfer as described in notes 4 (d) and (e). The December 31, 2010 actuarial present value of accrued pension benefits shown in Statement 3 contains $275,093 (2009 - $520,703) related to such members who have died or terminated. The DC part of the Plan also contains $2,330,897 (2009 - $1,439,820) related to members who have died or terminated. The University is attempting to transfer these amounts, but it is

unknown how soon this will be accomplished as the transfer is dependent upon decisions to be made by the member, beneficiary or spouse.

The following illustrates the effects of changing certain assumptions:

Assumption:	Adjusted Assumption (Change Made):	Change in Accrued Liability	Percentage Change in Accrued Liability
Discount rate	7.75% (Plus 1%)	($ 16,417,000)	(9.20%)
	5.75% (Minus 1%)	$ 21,188,000	11.87%
Salary, YMPE, and *Income Tax Act* Maximum Pension increase	4% (Plus 1%)	$ 4,048,000	2.27%
	2% (Minus 1%)	($ 3,555,000)	(1.99%)
Inflation rate	3.5% (Plus 1%)	($ 2,793,000)	(1.56%)
	1.5% (Minus 1%)	$ 2,849,000	1.60%

The pension obligation is long-term in nature. The Plan has no intention of settling its pension obligation in the near term and there is no market for settling its pension obligation. Therefore, determination of the fair value of the pension liability is not practical.

8. Investment Performance

The University has retained Phillips, Hager & North Ltd. as investment manager of the majority of the investments in the Master Trust. The University also contracts with Franklin Templeton Investments, Bentall Investment Management, BlackRock Asset Management Canada Limited, Mawer Investment Management Ltd., and Grantham, Mayo Van Otterloo & Co. LLC to be investment managers of specific types of investments in the Master Trust.

These investment managers make the day-to-day decisions of whether to buy or sell specific investments in order to achieve the long-term investment performance objectives set by the Plan. It is these long-term investment performance objectives that are used to assess the performance of the investment managers.

The primary long-term investment performance objective for the entire Master Trust portfolio is to out-perform a benchmark portfolio with weightings as follows:

Asset Class	Representative Index	Weight
Canadian equities	S&P/TSX Composite Index	16 %
U.S. equities	S&P 500 Index (Cdn $)	7
U.S. equities	S&P 500 Index - Hedged	7
Non-North American equities	MSCI EAFE Index (Cdn $)	15
Global equities	MSCI World Index (Cdn $)	10
Real Estate	Investment Property Databank	10
Bonds	DEX Universe Bond Index	33
Short-term investments	91-day T-Bills	2
		100 %

The University engages the services of Hewitt Associates, asset management consultants, to provide advice on the overall management of the Plan's investments and on the measurement of the Plan's performance. Hewitt Associates reports to the Joint Academic and Administrative and Non-Academic Benefits Committee quarterly on the investment performance in terms of the performance of the benchmark portfolio over moving four-year periods.

The one year investment objective (the return of the benchmark portfolio) was 8.7% (2009 – 13.3%). For the year ending December 31, 2010, the Master Trust had a gross rate of return of 8.2% (2009 – 15.4%). For the four years ending December 31, 2010, the Master Trust had an annualized gross rate of return of 2.1% (2009 – 3.3%). The investment objective (the return of the benchmark portfolio) was 1.7% (2009 – 2.7%).

9. Related Parties

The Plan is related to the University of Regina and other pension plans sponsored by the University. The University pays all plan expenses, pension benefits and refunds and transfers on behalf of the Plan, and then is reimbursed by the Plan. Contributions for Communities of Tomorrow, Petroleum Technology Research Centre, the federated colleges and MacKenzie Art Gallery are calculated and collected through the University's payroll process.